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12 **UNITED STATES DISTRICT COURT**
13 **DISTRICT OF NEVADA**

14 SHUFFLE MASTER, INC.

15 Plaintiff,

16 v.

17 YEHIA AWADA, and GAMING
ENTERTAINMENT, INC.

18 Defendants.

19
20 GAMING ENTERTAINMENT, INC., and
YEHIA AWADA,

21 Counterclaim-Plaintiffs,

22 v.

23 SHUFFLE MASTER, INC., and MARK
24 YOSELOFF,

25 Counterclaim-Defendants.

CASE NO. CV-S-05-1112-RCJ-RJJ

**SHUFFLE MASTER'S MEMORANDUM
OF POINTS AND AUTHORITIES IN
OPPOSITION TO DEFENDANTS'
MOTION FOR JUDGMENT ON THE
PLEADINGS AND TO STAY
PROCEEDINGS**

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18	563 F.2d 66, 71 (3d Cir. 1977)	11
19	<i>White by White v. Pierce County,</i>	
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1 **I. INTRODUCTION**

2 Defendants’ ill-conceived Motion for Judgment on the Pleadings is contrary to
3 law, misrepresents the undisputable facts and history of this case, and relies on
4 “evidence” that is *outside* the scope of the pleadings. Defendants claim they have spent a
5 large sum defending this litigation and ignore the fact that *Defendants*, not Shuffle
6 Master, are the ones that greatly increased the scope and cost of this litigation by
7 bringing unfounded and frivolous counterclaims which they have not seriously
8 prosecuted, and seemingly had no intention of doing so. Defendants’ motion should be
9 denied with prejudice.
10

11 **II. BACKGROUND FACTS**

12 **A. Shuffle Master’s Claims in this Action (the “Play Four Poker Trade**
13 **Dress Case”).**

14 Plaintiff Shuffle Master, Inc. (“Shuffle Master”) is an undisputed innovator and
15 leader in the field of specialty casino table games. In early September, 2005, at the G2E
16 Gaming Convention at the Las Vegas Convention Center, Defendant Yehia Awada
17 (“Awada”) and his corporate alter-ego, Defendant Gaming Entertainment, Inc. (“GEI”)
18 — direct competitors of Shuffle Master in the casino table game industry — unveiled a
19 “new and improved” version of their Play Four Poker game that was nothing more than a
20 blatant copy of one of Shuffle Master’s most popular games, Four Card Poker. Shuffle
21 Master responded by filing a complaint and immediately moving this Court for a
22 temporary restraining order (“TRO”). (*See* Docket Entry Nos. 1-2, Shuffle Master’s
23 Complaint for Injunctive Relief and Damages and Motion for Temporary Restraining
24 Order.) On September 14, 2005 this Court entered the requested TRO, temporarily
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1 enjoining Awada and GEI (together the “Defendants”) from copying Shuffle Master’s
2 trade dress in the overall appearance of Four Card Poker. (Docket No. 4).

3 Following entry of the TRO, Shuffle Master offered to curtail the need for further
4 briefing and argument on its claims if Defendants would agree to cease marketing/selling
5 their infringing table game, but Defendants refused. Thus to protect its rights pending
6 trial, Shuffle Master moved for preliminary injunctive relief. Over Defendants’
7 opposition, Shuffle Master prevailed. On August 31, 2006, this Court entered an Order
8 granting Shuffle Master’s requested injunctive relief and, in the process, finding Shuffle
9 Master likely to succeed on the merits of its claims. (Docket No. 94).

11 **B. Defendants’ Counterclaims in this Action.**

12 On December 5, 2005, Defendants filed their response to Shuffle Master’s First
13 Amended Complaint, which included seven counterclaims for, *inter alia*, purported
14 antitrust violations and unfair competition. Shuffle Master moved to dismiss all seven of
15 Defendants’ Claims For Relief, for failure to state a claim and for lack of ripeness.
16 Following oral argument on March 27, 2006, this Court determined that Defendants’
17 Claims 1, 2, 4 and 6 should be dismissed, but Defendants were given leave to amend
18 Count 6. (*See* Docket No. 78, Transcript of Proceedings). On October 10, 2006,
19 Defendants filed their Second Amended Counterclaim, per this Court’s Order of
20 September 27, 2006. (Docket Nos. 96-97).

23 From the date on which they first filed their Counterclaims through August 31,
24 2006, the date on which—by stipulation of the parties and order of this Court—fact
25 discovery closed, Defendants conducted absolutely no discovery related to the allegations
26 of their counterclaims. (*See* Exhibit A hereto, Stipulation and Order to Extend Certain
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1 Dates, Docket No. 91). Defendants failed to propound a single interrogatory or written
2 discovery request upon Shuffle Master; nor did Defendants notice or take a single
3 deposition. And although it is nearly impossible to prevail upon any antitrust claim—let
4 alone a patent antitrust claim, such as the ones brought by Defendants here—without
5 some form of expert testimony or evidence, Defendants let the deadline for expert
6 disclosure in this case come and go without taking any action. Defendants have retained
7 no experts—antitrust, economic or otherwise. Furthermore, while Shuffle Master *has*
8 retained three experts (to support both its affirmative claims of trade dress and its
9 counterclaim defenses), Defendants have to date conducted no discovery on, and sought
10 no depositions of, those individuals; as expert discovery closes in this matter on
11 November 15, Defendants clearly have no intention of doing so. (Ex. A).

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13
14 In response to Shuffle Master’s comprehensive discovery requests (*see* composite
15 Ex. B hereto), which sought, *inter alia*, all evidence upon which Defendants intend to
16 support their four remaining counterclaims, Defendants produced a mere 153 pages of
17 documentation. In responding to Shuffle Master’s interrogatories for the factual
18 contentions Defendants intend to rely upon at trial to prove their claims, Defendants did
19 little more than restate the allegations of their counterclaim complaint. (Ex. C).

20
21 **C. The ‘357 Patent Infringement Litigation Before Judge Sandoval.**

22 The instant action is not the only litigation pending between Shuffle Master and
23 Defendants. Since July of 2004, the parties have also been engaged in a protracted
24 dispute in this district related to Shuffle Master’s patents on its Three Card Poker and
25 LET IT RIDE table games, Case No. CV-S-04-0980-BES (PAL), which currently pends
26 before Judge Sandoval and Magistrate Judge Leen (referred to herein as the “357 Patent
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1 Infringement Case”). As with this case, the ‘357 Patent Infringement Case has been
2 marked by Defendants’ filing of unsupported counterclaims and dilatory tactics. Indeed,
3 the schedule in that case was extended once by agreement solely to accommodate
4 Defendants; two additional extensions sought by Defendants were refused. Despite
5 Defendants’ repeated attempts at delay, fact discovery in the ‘357 Patent Infringement
6 Case has been closed since December 23, 2005; expert discovery has been closed since
7 January 20, 2006; and the parties’ dispositive motions have been fully briefed since April
8 14, 2006. (*See* Ex. D hereto, Amended Scheduling Order Upon Stipulation and Ex. E,
9 Docket Report from the ‘357 Patent Infringement Case).

11 **III. LEGAL STANDARD**

12 Pursuant to Federal Rule of Civil Procedure 12(c), Defendants have moved for
13 judgment on the pleadings on Shuffle Master’s claims. “Judgment on the pleadings is
14 proper when the moving party clearly establishes on the face of the pleadings that no
15 material issue of fact remains to be resolved and that it is entitled to judgment as a matter
16 of law.” *Hal Roach Studios, Inc. v. Richard Feiner & Co., Inc.*, 896 F.2d 1542, 1550 (9th
17 Cir. 1990). “For purposes of the motion, the allegations of the non-moving party must be
18 accepted as true, while the allegations of the moving party which have been denied are
19 assumed to be false.” *Id.*

22 But “judgment on the pleadings is improper when the district court goes beyond
23 the pleadings to resolve an issue.” *Id.* Thus where, as here, evidence in addition to the
24 pleadings is submitted, the Court is faced with two choices under the rules: either to
25 disregard the additional items; or else to consider them, and as a consequence treat the
26 proceeding “as a motion for summary judgment.” *Id.* In such case, “the motion shall be .
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1 . . disposed of as provided in Rule 56 [Summary Judgment], and all parties shall be given
2 reasonable opportunity to present all material made pertinent to such a motion by Rule
3 56.” FED. R. CIV. P. 12(c); *see also Trs. of Operating Eng’s Pension Trust v. Tab*
4 *Contractors, Inc.*, 224 F. Supp. 2d 1272, 1275 (D. Nev. 2002).

5
6 In order to prevail upon a motion for summary judgment, the movant must meet
7 both this Court’s procedural requirements and make the necessary legal showings.
8 Procedurally, the movant must include a “concise statement setting forth each fact
9 material to the disposition of the motion which the party claims is or is not genuinely in
10 issue, citing the particular portions of any pleading, affidavit, deposition, interrogatory,
11 answer, admission, or other evidence upon which the party relies.” LR 56-1; *see also*
12 *Doe v. State*, No. 02:03-CV-01500-LRH, 2006 WL 2583746, *1 n.2 (slip op.) (D. Nev.
13 Sept. 7, 2006) (admonishing parties for failing to comply with LR 56-1). Failure to do
14 so can be sufficient grounds for denial of the motion. *See, e.g., Leong v. Potter*, 347
15 F.3d 1117 (9th Cir. 2003) (affirming denial of summary judgment motion where
16 movant failed to comply with district court’s procedural rules); *see also Athearn v.*
17 *Alaska Airlines, Inc.*, 118 Fed. Appx. 172 (9th Cir. 2004) (affirming denial of summary
18 judgment where movant failed to provide record citations for its factual assertions).

19 Substantively, the movant must meet the test of Rule 56, *i.e.*, establish in the first
20 instance that no genuine issues of material fact exist, and in addition, prove that it is
21 entitled to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23,
22 106 S. Ct. 2548, 91 L.Ed.2d 265 (1986); FED. R. CIV. P. 56(c). Thus, even when no
23 factual issues are genuinely in dispute, the movant will not prevail unless it can also
24 show that no reasonable jury could find for the non-movant on the undisputed evidence.
25 *Celotex*, 477 U.S. at 325. If the moving party’s papers are insufficient on their face to
26 make this showing, summary judgment should be denied. *White by White v. Pierce*

1 County, 797 F.2d 812, 815 (9th Cir. 1986) (“Even in the absence of opposing affidavits,
2 summary judgment is inappropriate where the movant’s papers are insufficient on their
3 face”).

4 **IV. ARGUMENT**

5 **A. Defendants Have Failed to Make a Case for Judgment on the** 6 **Pleadings.**

7 Defendants’ “Motion for Judgment on the Pleadings” is nothing of the sort.
8 Rather, Defendants motion is a half-hearted attempt to make an end-run around the legal
9 standard of Rule 56 by dressing an unsupported summary judgment motion as a Rule
10 12(c) motion. In fact, Defendants’ motion barely mentions the pleadings in this case,
11 instead making totally new allegations (and providing totally new “evidence”) about lost
12 licenses and money spent on attorneys’ fees. (*See, e.g.*, Motion at pp. 2-3 and Exhibits D-
13 F thereto). If this Court excludes this new evidence and any argument relying upon it, as
14 is proper in making a determination under Rule 12(c), it is clear that Defendants are left
15 with nothing—not even an argument—to support the granting of their motion.
16

17 If this Court does choose to consider Defendants’ new “evidence” and arguments,
18 and thus treat the instant motion as one for summary judgment, Defendants fare no better.
19 Defendants have failed to comply with the procedural requirements of LR 56-1 and are
20 simply wrong on the substantive law. Furthermore, even if the procedural deficiencies
21 and legal errors in Defendants’ motion were ignored (and they should not be),
22 Defendants’ papers themselves would demonstrate an issue of material fact sufficient to
23 defeat summary judgment. *Sheet Metal Workers’ Int’l Ass’n. v. Nat’l Labor Relations*
24 *Bd.*, 716 F.2d 1249, 1254 (9th Cir. 1983) (a court should deny a summary judgment
25 motion if “the movant’s papers... themselves demonstrate the existence of a material
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1 issue of fact”).

2 Specifically, although Defendants now claim that their license to the “Play Four
3 Poker” game was “terminated,” on July 1, 2006, on the very same page of their Motion,
4 Defendants admit that *they currently have four installations of the game*, one of which
5 occurred as recently as September 1, 2006. (D. Motion at 3) To the extent that
6 Defendants rely on the “termination” of their license as evidence that Shuffle Master’s
7 requested relief is moot, their admission that they have four current installations calls the
8 purported termination into question and raises genuine issues of material fact on this
9 point.
10

11 Because Defendants’ motion is procedurally inappropriate and substantively
12 deficient, this Court can, and should, stop its inquiry right here and simply deny the
13 motion with prejudice. *Hamilton v. Keystone Tankship Corp.*, 539 F. 2d 684, 686
14 (summary judgment should be denied where “the movant’s papers on their face are
15 clearly insufficient to support a motion for summary judgment and where, as here, those
16 papers themselves suggest the existence of a genuine issue of material fact”); *see also*
17 *White*, 797 F.2d at 815 (“Even in the absence of opposing affidavits, summary judgment
18 is inappropriate where the movant’s papers are insufficient on their face”). Nonetheless,
19 out of an abundance of caution, Shuffle Master addresses the arguments made in support
20 of Defendants’ motion below.
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23 **1. Shuffle Master’s Requested Relief is Not Moot.**

24 Shuffle Master seeks, in addition to damages, permanent injunctive relief
25 prohibiting Defendants from returning to their infringing activity. Although Defendants
26 argue in their Motion that “injunctive relief is sufficient to address [Shuffle Master’s]
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1 complaint,” they notably do not agree to entry of a permanent injunction. (D. Motion at
2 4). Rather, they allege that they have lost their license to distribute the Play Four Poker
3 game, and thus Shuffle Master’s request for such relief is moot. In other words,
4 Defendants assert that their cessation of infringing activity is cause for dismissal on
5 mootness grounds. Defendants made this same argument in opposing Shuffle Master’s
6 Motion for Preliminary Injunction last spring. Case law instructs that it is no more
7 persuasive now than it was back then.
8

9 Per the Supreme Court, the “test for mootness in cases such as this is a stringent
10 one.” *United States v. Concentrated Phosphate Export Ass’n, Inc.*, 393 U.S. 199, 203
11 (1968). “Mere voluntary cessation of allegedly illegal conduct does not moot a case; if it
12 did, the courts would be compelled to leave ‘the defendant... free to return to his old
13 ways.’” *Id.*, quoting *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953). The
14 party arguing mootness has a “heavy burden of persuasion” and must show that it is
15 “absolutely clear that the allegedly wrongful behavior could not reasonably be expected
16 to recur.” *Id.*
17

18 Following the law of *Concentrated Export*, courts have consistently held that one
19 party’s cessation of infringing activity does not moot the need for injunctive relief. *See*
20 *Intel Corp. v. U.S. Int’l Trade Comm’n*, 946 F.2d 821, 830 & n. 14 (Fed. Cir. 1991)
21 (concluding that a claim of patent infringement was not mooted by the manufacturer’s
22 unilateral decision to stop making the allegedly infringing design and granting permanent
23 injunctive relief); *H.O. Sports Inc. v. Earth & Ocean Sports Inc.*, 57 U.S.P.Q.2d 1927,
24 1930-31 (W.D. Wash. 2001) (voluntary cessation of infringing activities is not grounds
25 for denial of injunctive relief); *Malaytex USA, Inc. v. Colonial Surgical Supply, Inc.*, 44
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1 U.S.P.Q.2d 1291, 1295-96 (N.D. Cal. 1997) (issuing preliminary injunction despite
2 defendant's proffered cessation of offending practices); *Ford Motor Co. v. Lapertosa*,
3 126 F. Supp. 2d 463 (E.D. Mich. 2000) (preliminary injunction awarded even though
4 defendant had ceased using infringing domain name); *Lon Tai Shing Co. v. Koch +*
5 *Lowry*, 19 U.S.P.Q.2d 1081, 1109 (S.D.N.Y. 1990) (bare promise to forbear enjoined
6 conduct not basis for denial of injunctive relief).
7

8 Defendants fail to meet their "heavy burden of persuasion" here. The mere fact
9 that Defendants' license agreement to Play Four Poker was terminated provides no
10 guarantee against future infringement. For one thing, Defendants admit that despite the
11 supposed "termination" of the license agreement, they nonetheless have four current
12 installations of their game. In the absence of a permanent injunction, there is nothing to
13 stop Defendants from returning at any time to their infringing activity, by swapping in
14 the copycat felt that forced Shuffle Master to initiate these proceedings, or by
15 renegotiating their license agreement to increase the number of Play Four Poker
16 installations, or even by offering Play Four Poker without a license from their original
17 licensor. Defendants' Rule 12(c) motion for judgment on the pleadings on mootness
18 grounds must therefore be denied. *See Ahrens v. Bowen*, 852 F.2d 49, 52-53 (2d Cir.
19 1988) (upholding the denial of defendant's Rule 12(c) motion for dismissal on mootness
20 grounds because defendant's voluntary cessation of challenged conduct does not moot
21 case).
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1 **2. Consolidation of Defendants' Counterclaims Into the '357**
2 **Patent Infringement Case Is Not Appropriate.**

3 Based on Defendants' complete failure to conduct any discovery in support of
4 their counterclaims in this action, it seems highly likely those claims were merely
5 brought as litigation tools: to harass Shuffle Master and increase its expenses, gain
6 negotiation leverage and delay these proceedings. Defendants now claim that if they
7 succeed on the instant motion, they intend to try the same thing with these counterclaims
8 in another forum—the '357 Patent Infringement Case. (D. Motion at 6). Defendants
9 should not be allowed to do so. To the extent that this Court denies the Rule 12(c)
10 portion of Defendants' motion, the consolidation issue is moot and need not be
11 addressed. But even if this Court does choose to address the issue, it is clear that
12 consolidation is not appropriate here.

13
14 Under Rule 42(a), district courts have broad discretion to consolidate separate
15 actions that present "a common question of law or fact" when appropriate. FED. R. CIV.
16 P. 42(a); *Investors Research Co. v. U.S. Dist. Ct. for Cent. Dist. of Calif.*, 877 F.2d 777
17 (9th Cir. 1989). But consolidation "does not merge suits into a single cause, or change
18 the rights of the parties." *Johnson v. Manhattan Ry.*, 289 U.S. 479, 496-97 (1933). In
19 other words, "consolidated actions are independent from each other," and each action
20 retains its separate character and requires a separate judgment. *Patton v. Aerojet*
21 *Ordnance Co.*, 765 F.2d 604, 606 (6th Cir. 1985); *see also Geddes v. United Fin. Group*,
22 559 F.2d 557, 561 (9th Cir. 1977).
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24
25 Consolidation is not proper if a party is simply using it as a tactical measure.
26 *Surgitek, Inc. v. Dow Corning Corp.*, 1992 WL 176560 *1 (N.D. Cal. 1992)
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1 (consolidation is improper if “apparent that it was prompted more by tactical
2 considerations than concerns that judicial efficiency requires consolidation”); *see also*
3 *Russ v. Standard Ins. Co.*, 120 F.3d 988, 990 (9th Cir. 1997), *citing with approval Walton*
4 *v. Eaton Corp.*, 563 F.2d 66, 71 (3d Cir. 1977) (en banc) (consolidation should not be
5 used to circumvent the rules pertaining to amendment of complaints). Nor is
6 consolidation appropriate if it will cause undue delay or prejudice. *See, e.g., Mills v.*
7 *Beech Aircraft Corp., Inc.* 886 F.2d 758, 762 (5th Cir. 1989) (holding that consolidation
8 is properly denied if “cases are at different stages of preparedness for trial”); *Henderson*
9 *v. Nat’l R.R. Passenger Corp.*, 118 F.R.D. 440, 441 (N.D. Ill. 1987) (denying
10 consolidation on the grounds of undue delay where cases are at different stages of
11 discovery).
12
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14 Defendants clearly intend to use consolidation as a tactical measure that will
15 result in undue delay and prejudice to Shuffle Master. They should not be allowed to
16 follow through on their plan, most importantly because consolidation of this case with the
17 ‘357 Patent Infringement Case simply does not make sense. Discovery is closed in both
18 cases (and Defendants have let pass their chance to conduct any written discovery, take
19 depositions, or retain experts to support their claims in this case); the parties’ summary
20 judgment motions have been fully briefed in the ‘357 Patent Infringement Case, and are
21 due to be filed next month in the instant case (*see* Ex. A, D, E); the deadline for
22 amendment of pleadings is likewise long past in both cases. *See Walton*, 563 F.2d at 71
23 (consolidation should not be used as a vehicle to circumvent deadline for amending
24 pleadings). There is nothing left to consolidate except trial on the merits, which is hardly
25 justification—it is undeniable that each case requires a separate judgment. *Geddes*, 559
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1 F.2d at 561; *Johnson*, 289 U.S. at 496-97.

2 Not only is consolidation unnecessary, it is unjustified, because consolidating
3 Defendants' counterclaims from this matter into the '357 Patent Infringement Case would
4 undeniably complicate those proceedings, unduly delay summary judgment rulings and
5 trial, and—most prejudicial to Shuffle Master—give Defendants a second bite at the
6 proverbial apple. Consolidation is thus both unwarranted and unfair, and should not be
7 granted.

8
9 **B. A Stay of These Proceedings is Not Warranted.**

10 Defendants seek a stay of these proceedings pending the Court's decision on the
11 instant motion. In using its discretion to stay proceedings, this Court "must weigh
12 competing interests," *Id.* at 254-255, including "the possible damage which may result
13 from the granting of a stay." *CMAX, Inc. v. Hall*, 300 F.2d 265, 268 (9th Cir. 1962)
14 (citing *Landis*, 299 U.S. at 254-55). Defendants argue that "continuing the proceedings
15 in this matter will only serve to increase the attorneys' fees and costs expended in this
16 litigation." That is not sufficient justification for a stay, and does not override the fact
17 that judicial economy is best served by a speedy resolution of this matter on summary
18 judgment. Moreover, it is hard to see how fees and costs could substantially increase at
19 this point, as the preparation for dispositive motion practice—fact and expert discovery—
20 has concluded. Defendants stipulated to the current scheduling order less than three
21 months ago, and they should be held to that agreement. No stay of proceedings is
22 warranted.

* * *

Respectfully submitted,

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-13-

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 13th day of November, 2006, a true and correct copy of the foregoing, **SHUFFLE MASTER'S MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO DEFENDANTS' MOTION FOR JUDGMENT ON THE PLEADINGS AND TO STAY PROCEEDINGS**, was served via overnight delivery on the following:

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